



COTA Australia

COTA ENERGY ADVOCACY PROJECT

National Workshop 2 - 20 July 2018



AGENDA

- Introductions & Opening Remarks
- Sharing Advocates Experiences
- Recap – the role of an advocate
- The ECA Perspective
- Update on National Energy Market Issues
- Issues for Older Consumers
- Next Steps

Recap - Why are we here?

The Australian Energy Market is transforming, and it is essential that older consumers are able to participate and share in the benefits offered by new markets, products and services. This will only occur if their information needs are adequately met, and their specific requirements and characteristics are identified and addressed in the design and development of the new market arrangements, products and services.

“The detriment to older energy consumers is that their particular needs are not being taken into account in organisational/industry decision making processes.”

Recap - Why are we here?

The purpose of this project is:
to equip the COTA organisations to engage in systemic advocacy for older energy consumers across the NEM.

This will be achieved by training and supporting COTA volunteers and COTA staff in adequate numbers to provide representation on Consumer Reference Groups of energy corporations and government energy policy consultative bodies.

The outcome will be effective and informed representatives who can contribute meaningfully to consumer engagement processes undertaken by energy companies and industry bodies.

Sharing advocates experiences:

- Advocacy activities over the past 12 months
- Other opportunities for knowledge building
- Positive experiences/successes, insights
- Challenges

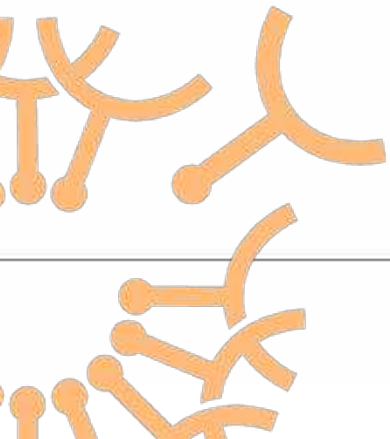


Recap – the role of an advocate



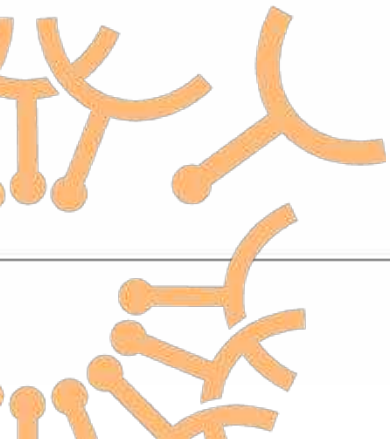
Recap – the role of an advocate

- What is a consumer advocate?
- What is our role?
- Why are consumer advocates important?
- Why do you want to be one?
- Who do we represent?
- What are our obligations?
- What should we expect?



Recap – the role of an advocate

- What skills and knowledge do we need to be effective consumer advocates?
- As consumer representatives, what is involved in our:
 - ❖ Preparation;
 - ❖ Participation;
 - ❖ Follow-up actions?



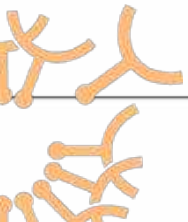
Update on National Energy Market Issues

- National Energy Guarantee
- ACCC review of electricity supply and prices
- Prime Minister's Interventions
- Hardship Review
- Network Regulatory Resets and cost-reflective tariffs
- Distributed Energy Resources (DER) Register



National Energy Guarantee

- Being designed by the Energy Security Board
- Initial consultation paper – February 2018
 - More than 150 submissions
- Draft high-level design to COAG EC – April 2018
- 14 Detailed Design issues papers – May 2018
- Draft detailed design released – June 2018
- Submissions closed – 13 July 2018
- COAG Energy Council meeting – 10 August 2018



National Energy Guarantee – Overview

- Designed to encourage investment in low emission technology in the electricity sector to reduce carbon emissions and ensure there is reliable supply of electricity.
- First of a kind mechanism both in its operation and integration with reliability requirements.
- Obligation is on the retailer to purchase low emissions electricity – not on generators
- No tradeable ‘credits’
- If there are concerns that there is not a reliable supply of electricity, retailers will be required to contract “secure sufficient contracts to meet peak demand”.

Summary of the National Energy Guarantee

NEG Mechanism

- Being designed by Energy Security Board
- Applies to NEM
- Administered through the NEL
- Agreed by COAG

Emissions Reduction Target

- Designed by Federal Gov
- Applies to NEM
- Administered through federal Gov Act
- Agreed by Fed parliament

Emissions Reduction Guarantee

Reliability Guarantee

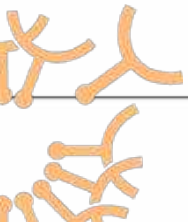
- 2030 Target
- Process for setting targets

- Decisions about how to treat additional action
 - Who is covered
 - Offsets



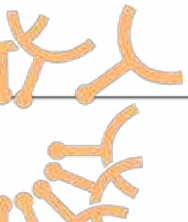
National Energy Guarantee – Reliability Guarantee

- AEMO provides annual 10 year forecasts of reliability in each jurisdiction.
- Retailers and large customers contract for energy.
- Only if there is a **material** ‘gap’ three years out will the reliability obligation be triggered.
- To comply, retailers and large customers will need to purchase sufficient qualifying contracts to meet their forecast peak demand.



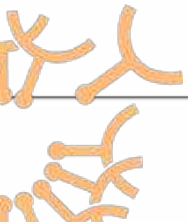
National Energy Guarantee – Reliability Guarantee

- If, one year out, a 'gap' persists AEMO will procure through enhanced RERT role (Reliability and Emergency Reserve Trader)
- Retailers and large customers will disclose their contract book to AER for possible ex-post compliance assessment.
- Ex-post, AER assess compliance with the reliability requirement and applies penalties if demand greater than a one in two year system peak



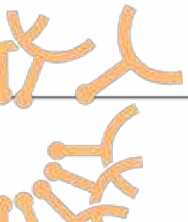
National Energy Guarantee – Emissions Reduction Guarantee

- Retailers purchase energy in line with Government's emissions reduction trajectory – annual targets
- A registry of emissions intensity will be maintained for each generator & retailer
- AER assesses and reports compliance annually
- Up to 5% over-achievement can be carried forward
- Only applies to the energy sector



Emissions Reduction Target Setting

- Target 26% by 2030
- First 10 years locked in (to 2030), then reset every 5 years
- Jurisdictional activities may not be included
- Still considering whether offsets can be applied
- Energy intensive trade exposed entities excluded



National Energy Guarantee – in summary

ENERGY SECURITY BOARD

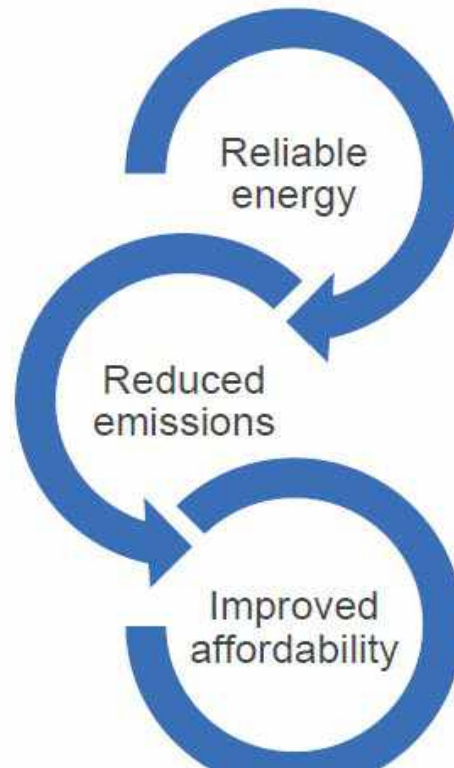


NATIONAL ENERGY GUARANTEE – WHAT IS IT?

Retailers and large customers support, through their contracting, sufficient investment in dispatchable MWs or demand response to meet peak demand

Policy confidence reduces risk premium on new investments.

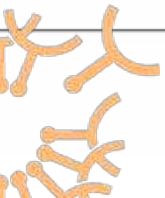
Increased contracting in more liquid markets reduces the level of spot prices and their volatility.



Retailers ensure, through their contracting, that the electricity sector delivers emissions reduction target in line with agreed emissions reduction trajectory

ACCC Review of Electricity Supply and Prices

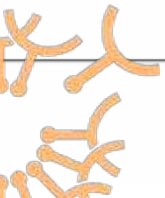
- ACCC directed by Treasurer to hold an inquiry into the supply of retail electricity and the competitiveness of retail electricity prices.
- Issues Paper released May 2017
- Draft Report released September 2017
- Final Report released 30 June 2018
- 56 recommendations



ACCC Review – Key Recommendations

Boosting Competition in Retail Markets:

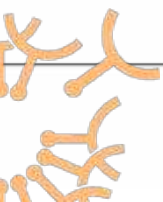
- ❖ ‘losing’ retailers are only given a loss notification on the actual date of transfer of financial responsibility for the customer to the new retailer. This will limit the opportunity of ‘losing’ retailers to conduct ‘save’ activity before a customer transfer has taken place.
- ❖ make changes to speed up the customer transfer process, for example by enabling customers to use self-reads of their electricity meters. This will ensure that customers move to new offers quickly and will limit the time available for ‘losing’ retailers to conduct ‘save’ activity.



ACCC Review – Key Recommendations

Lowering Supply Chain Costs:

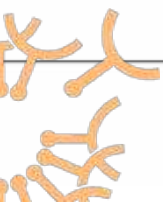
- ❖ steps should be taken to accelerate the take up of cost-reflective network pricing. Governments should agree to mandatory assignment of cost-reflective network pricing on retailers, ending existing opt-in and opt-out arrangements.
- ❖ steps should be taken to support the take up of smart meters, and ensure customers receive the benefits of this technology.
- ❖ the small-scale renewable energy scheme should be wound down and abolished by 2021
- ❖ to reduce the costs associated with premium solar feed-in tariff schemes any costs remaining from such schemes should be borne by state governments through their budgets
- ❖ Victoria should join the National Energy Customer Framework (NECF) to streamline regulatory obligations on retailers



ACCC Review – Key Recommendations

Lowering Supply Chain Costs:

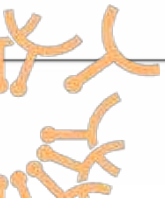
- ❖ in non-price regulated jurisdictions, the standing offer and standard retail contract should be abolished and replaced with a default market offer at or below the price set by the AER.
- ❖ if a retailer chooses to advertise using a headline discount claim it must calculate the discount from the reference bill amount published by the AER.
- ❖ the Australian Government should prescribe a mandatory code of conduct for third party intermediaries
- ❖ the Australian Government and Victorian Government should commit to ongoing funding to raise awareness of the government-run comparator websites



ACCC Review – Key Recommendations

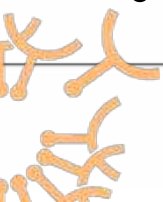
Lowering Supply Chain Costs:

- ❖ COAG should improve concession schemes across the NEM to ensure that, to the extent possible, there is a uniform, national approach to electricity concessions
- ❖ the Australian Government and the relevant state or territory government should fund (to a value of \$5 per household in each NEM region, or \$43 million NEM-wide, per annum) a grant scheme for consumer and community organisations to provide targeted support to assist vulnerable consumers to improve energy literacy.



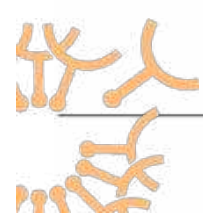
Prime Minister's Intervention – retail markets

- AER Reference group (Energy Information Presentation & Customer Engagement Reference Group) set up Sept 2017. COTA invited to participate, with particular focus on the needs of consumers who are not online
- New Retail Pricing Information Guidelines and Retail Performance Reporting Guidelines issued
- New Benefit Change Notice Guideline - 1 Oct 2018
- Advance Notice of Price Changes – AEMC Draft Decision issued. Submissions close 16 August 2018
- Preventing Discounts on Inflated Energy Prices - completed



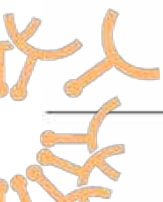
AEMC Hardship Review

- AER has submitted a rule change request to AEMC – ‘Strengthening protections for customers in hardship’
- Consultation paper issued May 2018. Submissions closed 28 June 2018
- Objectives are to increase level of compliance with retailer obligations to customers in hardship; ensure more consistency in how customers requiring assistance are identified; make commitments to customers more binding.



Network Regulatory Determinations & Cost reflective tariffs

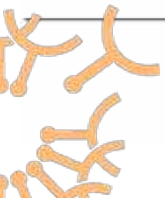
- 5 yearly cycle of network determinations (resets)
- Each determination takes approximately 2 years
- Stages:
 - Framework & Approach set by AER (Electricity)
 - Network business develops & submits proposal
 - AER convenes Public Forum
 - AER issues Draft Decision
 - Network business submits Revised Proposal
 - AER issues Final Decision
- AER Consumer Engagement Guidelines for Network Service Providers. Proposals must include summary in plain language, description of engagement activity & concerns, key risks and benefits for consumers



Current Network Regulatory Resets

Key dates:

- TasNetworks: AER draft decision due 30 September 2018
- Evoenergy (ACT): AER draft decision due 30 September 2018
- Ausgrid, Endeavour, Essential Energy (NSW): draft decision due 30 October 2018
- Energex, Ergon (Qld): regulatory proposal due 31 January 2019
- SA Power Networks: regulatory proposal due 31 January 2019
- PowerCor/CityPower/United Energy/Jemena/AusNet Services (Vic): AER publishes F&A 31 January 2019
- Jemena Gas (NSW) – regulatory proposal due 30 June 2019

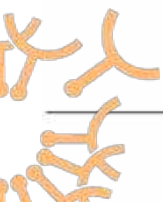


Rate of Return Guideline Review

- Rate of Return (or WACC) on a network's regulated asset base (RAB) is the largest component of energy bills
- Highly contested, subject of many court appeals
- AER commenced review in July 2017.
- Issues paper released October 2017
- AER appointed Customer Reference Group – 14 consumer representatives
- Expert Evidence Sessions – March, April 2018
- Joint CRG submission – May 2018
- Draft Decision – 6 July 2018
- COAG has decided that new Guideline will be 'binding'

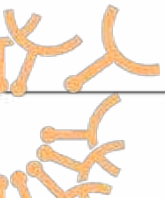
Opportunities for Influencing Network Regulatory Proposals

Elements of Regulatory Proposal	Ability to Influence
Stakeholder Engagement	✓
Operating Expenditure	✓
Capital Expenditure & Contingent Projects	✓
Capital Base	X
Financing Costs (Rate of Return/WACC)	X
Incentive Arrangements	✓
Demand Forecasts	✓
Network Pricing/Tariffs	✓



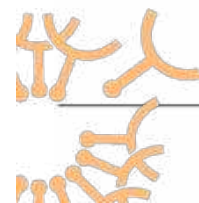
Cost-reflective network tariffs

- Network tariffs must be based on the cost of providing the service
- Networks submit Tariff Structure Statement (TSS) to AER as part of Regulatory Reset process
- Customer impact statement must be provided with Tariff Structure Statement
- Driving demand based tariffs
- Requires advanced meters



Register of Distributed Energy Resources

- AEMC released a draft decision on 26 June. Submissions are due on 7th August.
- Proposed rule places an obligation on AEMO to establish, maintain and update a register of distributed energy resources (DER) in the national electricity market (NEM), including small scale battery storage systems and solar.
- requires NSPs to request specific DER information from their customers
- allows AEMO to provide DER register information to an emergency services agency



Particular Issues for Older Consumers

- Energy affordability
- Energy Concessions
- Maintenance of non-digital communication channels
- Consumer protections in embedded networks
- Solar feed in tariffs
- Access to newer technologies & appropriate consumer protections



- Next Steps



THANK YOU

